It is in contemplation to extend the sphere of usefulness of this institution by making it the training ground for teachers who after they have had a good grounding in the theory and practice of agriculture will be sent out to teach the subject in the primary schools.

31. **The Maharajah's College and High School.** Students are prepared for the B. A. Degree, the optional subjects taught being Mathematics, Advanced Chemistry, Philosophy and History. 420 graduates have passed out from the College.

Last year's B. A. results were as follows :—

	Appeared.	Passed.
English Branch	35	25
Second Language	38	31
Optional	38	24

The expenditure in the College Department exceeded the fee income by Rs. 41,917. In the High School Department the fee income exceeded the expenditure by Rs. 2,463.

32. **Special Education. The Law College.** Till 1894 there was a Law Class attached to the Arts College. In that year a separate Law College was established. It prepares students for the local Pleadership Examination and for the F. L. and B. L. Examinations of the Madras University.

Last year, the strength of the College fell from 149 to 120. 31 students appeared for the B. L Degree Examination of whom 6 passed, 34 for the F. L. of whom 12 passed and 47 for the Pleadership Examination of whom 27 passed.

The expenditure amounted to Rs. 18,934 and the fee income was Rs. 9,616 thus entailing a net cost to Government of Rs. 9,318. Government have during the year made the College a self-supporting one by reducing the honorariums paid to lecturers and by slightly raising the fees.

The Sanscrit College. This was opened in 1889 with 150 pupils. Last year the strength was 180. Three examinations the Sastri, Upadhyaya and Mahopadhyaya are annually held. The cost to Government in 1079 was Rs. 8,833.

The Reformatory was established in 1894. There were 10 inmate last year. The cost to Government was Rs. 2,411. The Superintendent's pay alone amounted to Rs. 1,200 a year. It was found possible to provide a less costly establishment to supervise this institution.

33. **State Life Insurance.** The scheme came into force in the beginning of 1898. The business was until last year conducted by a Committee consisting of the Durbar Physician as ex-officio President and 4 members, with a Secretary.

The Committee was abolished in the middle of last year and the working of the scheme was transferred to the Huzur and placed under the Chief Secretary, assisted by one of his Assistants.

The revival of the Committee is under consideration, as it is not desirable to burden the Secretariat with this work.

34. **Mining.** There has been no Geological Survey of the State. Government have sent to England a Graduate in Arts to study Mining. The only minerals worked now are plumbago and mica. In 1079 there were 3 mines working in plumbago. The Sircar realised by way of royalty and export duty on plumbago a sum of Rs. 8,750. The royalty is 4 Rs. and 6 Rs. per ton according to the quality of the plumbago mined. Mica was very scarce and the income to the Sirkar was only Rs. 30-13-6.

35. **Finance.** You may be aware that with a view to improve the system of Finance and Accounts a Committee had been appointed some three years ago. The Committee had made considerable progress in the drafting of a Code, but His Highness felt that it would take a long time for the Code to be finally adopted and

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actual reforms introduced and put in working order and that a better and a more satisfactory plan would be to secure the services of a trained expert to overhaul the present system and introduce the necessary reforms. It was fortunate for the State that just then a specialist of large experience who was eminently fitted for the work to be undertaken here was available in the person of Mr. E. R. Subroyer who had about that time retired from the office of State Comptroller in Mysore. His Highness was pleased to offer the appointment of Financial Adviser to him which he accepted. He joined the appointment only in the beginning of June last, but within the space of three months, that is before the close of the last Malabar year, he was able not only to frame rules and circulars for introducing an improved system of finance and audit but succeeded in starting the work from the commencement of the current year. He is now engaged in working out the new system and training the subordinates and officers in the work. I will now give you a brief description of the system of Finance and Account that has been hitherto followed and of the improvements introduced by the Financial Adviser from the current year.

(2.) Time was when only one Treasury at the Capital was considered sufficient for all the requirements of the State. The revenue collections of the State were made both in cash and kind by a body of hereditary public accountants attached to each unit of area of which they had charge and in which they lived and owned property. These collections were paid into chests and granaries located at convenient centres one for each group of units. The accountants were paid for their services either by land assigned as inams or by annual stipends in cash or paddy.

(3.) All payments of claims against Government whether out of the chest at the Huzur Treasury or out in the country were made only after preaudit on the basis of a padivoo or scale sanctioned and revised at long intervals. After the year closed, the accountants were sent for to the capital and with their help an annual consolidated account was made out and placed before Government.

(4.) As the country advanced in prosperity and the requirements of a progressive administration increased, more departments had to be organized to meet such requirements and more departmental chests or Depôts had to be opened—one for each such Department. The hereditary accountants were gradually replaced by a body of stipendiaries appointed by selection on considerations other than heredity and on production of adequate security for good conduct and due fulfilment of the trust and responsibility imposed upon them. To avoid delay in payment of claims against Government after preaudit, these departmental Depôts were authorized to meet their own claims as far as possible out of the collections made by them and to draw upon the neighbouring depots for any deficiency, subject to acceptance as authorized expenditure after audit by the Huzur account office. But the original idea that there was to be only one real Treasury viz., the State Huzur Treasury authorized to account for all the income and expenditure of the State was still retained and acted upon.

(5) Briefly, the following is the manner in which the idea was kept up. All the Revenue and departmental chests or Depôts including the chest of the Treasurer of the State Huzur Treasury maintained cash accounts of their own in which all revenues collected were credited and payments made were charged, with full description of each transaction as the transaction took place. After the close of the year these cash accounts with vouchers were brought to the Huzur Account Office personally by the responsible accountants of each Depôt with a number of blank receipts signed by the officers in charge of the chests. The revenue receipts of these Depôts were credited in the Huzur Treasury Account as remittances made by these Depôts and acknowledgments by the Huzur Treasury furnished to the accountants concerned. The payments made by these Depôts were then subjected to audit, items unsupported by vouchers, competent sanction or regular account were disallowed, bills in duplicate were prepared for the admitted items, passed by the Huzur account office and presented at the Huzur Treasury with the blank receipts above referred to. The amount of each passed bill was entered on both sides of the cash account of the Huzur Treasury as remittance received from and made to the Depôt or chest concerned. An acknowledgment for the remittance credited was given to the accountants while the accountants filled up one of the blank receipts above referred to and handed

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it over to the Huzur Treasury as an acknowledgment for the receipt of the remittance entered as made to their Depôts. The duplicate of the passed bill was retained by the Huzur Treasury in support of the debit and the original handed over duly attested to the Depôt accountants as authority for them to incorporate the expenditure in the Tirattu or consolidated yearly account of their Depôts. All the amounts disallowed in audit were treated as personal advances to be accounted for by the Provertikars, Accountants and Treasurers of the Depôts or their legal heirs even though such payments might have been made under the authority of the officers in charge of the Depôts.

(6) These Accountants returned to their stations with their detail accounts and vouchers and with the original bills passed by the Huzur Account Office. They were then called upon to prepare consolidated yearly accounts one for each Depôt in which the revenue receipts were shown only under four or five main heads of account—such as 'fixed land revenue,' 'arrears of revenue,' 'miscellaneous' and fluctuating land and other revenue such as customs, tobacco, salt, &c., and the expenditure as passed by the Huzur Account Office was exhibited under the heads Devaswom, Oottupura, Palace, Public Works, Pay, Pensions and Miscellaneous or Contingencies. The accounts closed to a balance in which were included cash in the chest, paddy in the granaries and all items disallowed up to the end of the year as inefficient balance.

(7) On receipt of these Tirattus or consolidated accounts one from each depot, a general account for the State was compiled showing on the receipt side all the revenues realized during the year under the heads of account above referred to and on the disbursement side all accepted expenditure under the Major Heads, "Devaswoms" "Oottupuráhs," &c., with details under "Pay," and "Pension" giving the name and amount of each individual officer and official (menial servants alone being given in number) to whom pay or pension was disbursed on individual receipts. Under "Contingencies and Miscellaneous" full and elaborate particulars for each item of charge were also given.

(8.) From the above description you will find how unnecessarily elaborate and cumbersome the system was and how the control, audit and consolidation of the accounts had to be left mostly in the hands of the low paid accountants of the various Depots, the Huzur Account Office and the Huzur Treasury. You will not also be surprised to learn that these consolidated accounts or Tirattus are in arrears for the past sixteen years and that about 72 lakhs of rupees is reported to be the amount of unaccounted, unauthorized and unvouched expenditure accumulating from 1035 M. E. or 1860 A. D. and at present standing against the names not of the parties who received the payment or of the officers who in the first instance authorized the payments but in those of the Parvathikars, Accountants and Treasurers, who carried out the orders of their superior officers, to be accounted for or recovered from these officials or their legal heirs.

(9.) So early as the year 1035 M. E. or 1860 A. D. above referred to, it was found that this system was quite unsuited to the requirements even of that period. But the only improvement effected was that the unadjusted expenditure that had accumulated up to that year was written off the accounts and an annual financial statement or Pirivoom—Chilavoom account was ordered to be compiled before audit of any kind and wholly on the basis of the accounts brought to the Huzur Account Office by the accountants of all the Revenue and Departmental Depots or Treasuries. The old system of account and audit was still continued and the new account ordered was only an addition to it not in lieu thereof. This simply added more work to the Account Department and tended to put off the audit and compilation under the old system to an indefinite period. It was also from this year that a sort of annual Budget began to be compiled and forwarded to the Madras Government. The Financial Statement and the Budget have continued to be regularly sent up to the Madras Government year after year with greater details. But the figures contained in the statement are only unaudited figures and must necessarily differ very largely from those of the State Accounts audited and compiled under the system which I have attempted to describe above. As the accounts in this State are not closed and compiled monthly but only after the year is over, no use

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was and could ever be made of the Budget either for control and audit or for watching the progress of revenue and expenditure during the year.

(10.) From the various Circular orders issued and published in the Official Gazette during the past three months I believe you have already formed some idea of the lines on which improvements are proposed to be introduced from the beginning of the current year. The changes announced form only a small instalment of a system and have been ordered as the basis on which to build up gradually. The system itself as a complete one will consist of—

(i) Rules in regard to financial responsibility and general control.

(ii) Budget rules and procedure.

(iii) Procedure in the Central Account and Audit office.

(iv) Treasury procedure.

(11.) The circular orders issued till now relate mostly to the procedure to be followed in the Treasuries. Under these orders:—

(i) All the so-called Departmental Treasuries have been abolished.

(ii) The remaining ones have been constituted as independent treasuries each rendering its own accounts direct to a Central Account and Audit Office and not passing through the Huzur Treasury by means of numerous unnecessary transfers and exchange of nominal bills, receipts or acknowledgments as heretofore.

(iii) The responsibility in regard to the safe custody of cash, stamps and other valuables in each treasury and accounting for the same has been defined and will rest mainly with the officer in charge of the treasury and the responsibility of the Treasurers and Provertikars will be only to the extent of their securities and in regard to the moneys permitted to be left in their hands.

(iv) The Treasuries are required to report their daily transactions in full detail with all the vouchers in support of their payments direct to the Central Audit and Account Office by the next mail.

(v) The Account and Audit Officer is required to audit and post the accounts from day to day as they are received challenging all irregular and unauthorized payments and directing the treasuries and officers concerned to rectify the same or to refund the amount without fail by deduction or shortdrawal in the next bill.

(vi) As soon after the close of the month as possible the following statements shall be prepared by the Central Account and Audit Office and submitted to Government as they are ready.

(*a*) Statement of total receipts into and issues from the Treasuries during the month with opening and closing balances.

(*b*) A statement of receipts and disbursements during and up to the end of the month under all the Major Heads of account.

(*c*) A consolidated account of all Financial transactions of the State including those of the Departments of Public Works and Forests, of the Madras Bank and Messrs Arbuthnot & Co., showing the receipts and expenditure of the month and up to end of the month under all Major, Minor and Detail heads of account with the figures of the sanctioned Budget Estimates entered against each such head of account.

You will find that statements (*a*) and (*b*) for the month of Avani have already been published in the official Gazette.

vii. Once a quarter a list of items objected to by the Audit office but remaining unadjusted by the Treasuries and officers concerned shall be submitted to Government for such notice and orders as may be necessary.

viii. Soon after the annual account is consolidated, the closing balances of the year i. e. the assets and liabilities will be reviewed and verified in detail, unavoidable deficiencies and losses adjusted under orders of Government, and correct balances made out for being carried forward to next year.

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ix. Lastly an appropriation report showing how far the estimates framed and sanctioned for the year have been actually realized, to what extent, for what reasons and under what authority grants originally sanctioned have had to undergo revision and how far the net actual result approximates the estimated one shall be drawn up by the Account and Audit officer and submitted to Government for incorporation in the Administration Report of the State.

(12.) To ensure that all moneys coming into the hands of public servants are promptly remitted into and brought to credit in a public Treasury, rules prescribing the manner and form in which remittances should be made and Treasury acknowledgments obtained have also been issued for the guidance of all officers. Similarly rules have also been issued for drawing upon the Treasuries for funds required to meet the personal claims of all officers and their establishments and the departmental claims for contingent and other fluctuating charges. The Treasuries have received a general authority to honor such claims if presented in the form prescribed for each class of such claims. The responsibility of disbursement of pay to each individual official and servant of an office has thus been transferred from the Treasury to the Head of each office who is required to take the acknowledgment of each such official or servant in a bound book prescribed to be maintained for the purpose.

(13.) With the loyal co-operation of Heads of departments and Division Peishcars and a strict and vigorous enforcement of method, promptitude and punctuality on the part of the Treasury officers and of the officer in charge of the Central Account and Audit office in the carrying out of the rules that have been already issued and that may hereafter be issued from time to time, Government hope to build up within a reasonable time a system of Finance and Accounts approximating in soundness, efficiency and method to the system obtaining elsewhere.

(14.) With these observations I now place before you a statement of the income and expenditure of the past year under the usual heads of account with the opening and closing balances to the credit of Government. The figures are only approximate and a more accurate or detailed statement could not be had at present under the old system though I wish I could give you a more satisfactory account of the financial transactions of the year. I hope however to be able to present a more satisfactory financial statement next year when we meet again.

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